



May 7, 2008

Governor defends sales tax increase

By Howard Fischer
Capitol Media Services

Gov. Janet Napolitano is defending plans to raise the state sales tax by a penny to fund transit improvements rather than tax those who will most directly benefit.

Drive starts for sales tax hike for roads, mass transit [<http://www.eastvalleytribune.com/story/115702>]
Governor backs new sales tax for roads, transit [<http://www.eastvalleytribune.com/story/114741>]

Napolitano said Wednesday a sales tax increase is the only thing that generates enough money and is reliable enough to support a \$42.6 billion plan to build and widen roads, and finance new and expanded mass-transit programs.

The governor acknowledged sales taxes are paid by everyone in proportion to the taxable items they buy. But she said that even if voters agree to raise Arizona's sales tax to 6.6 percent for 30 years, the state's overall tax burden, including income and property taxes, would remain "relatively low compared to other states."

Opposition is already surfacing. Byron Schlomach, economist for the Goldwater Institute, called sales taxes "a very poor substitute for user charges."

The Federation of Tax Administrators puts Arizona's current 5.6 percent sales tax rate in the middle of all states levying sales taxes. If voters approve the penny hike in November, only five other states will be higher.

Marty Shultz, treasurer of the organization pushing the project, said his group explored raising the state's 18-cent-a-gallon gasoline tax, not raised since 1991. But he said the idea was dismissed as impractical, since cars and trucks are becoming more fuel efficient and more people are seeking mass transit.

"The gas tax is becoming less efficient all the time," he said. The governor said she supports the transit plan and the funding source, but it remains to be seen whether voters will.

"That will be a judgment for voters to make," she said. "I'm a taxpayer. I'm willing to pay this in order to get that infrastructure in place."

Shultz also dismissed claims that sales taxes are regressive, imposing a relatively higher burden on people near the bottom of the income scale than those at the top, pointing out that food and prescription medications are exempt.

The governor also said she does not believe that higher sales taxes might hurt business activity here.

Shultz said the coalition also rejected a gas tax increase because the state constitution allows gas taxes to be used only for roads, not for things like mass transit.

Much of the debate is likely to surround earmarking \$7.6 billion for mass transit, including intercity rail service between Phoenix and Tucson as well as expanded light rail in Maricopa County.

Schlomach said these kind of rail projects make the least financial sense, with high capital costs for construction on the front end and little flexibility to alter routes later if growth and ridership patterns change. He said adding more express buses, perhaps with their own dedicated lanes, is a better option.

Napolitano called rail plans "farsighted," saying that other communities have seen high ridership.



© 2008 Freedom Communications / Arizona. Permission granted for up to 10 copies. All rights reserved.

You may forward this article or get additional permissions by typing http://license.icopyright.net/3.7220?icx_id=115787 into any web browser. Freedom Communications / Arizona and East Valley/ Scottsdale Tribune logos are registered trademarks of Freedom Communications / Arizona. The iCopyright logo is a registered trademark of iCopyright, Inc.